

WORKING WITH DISABILITY: WORK AND INSURANCE IN BRIEF

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How Does the Medicaid Buy-In Program Relate to Other Federal Efforts to Improve Access to Health Coverage for Adults with Disabilities?

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The Medicaid Buy-In program is a key component of the federal effort to make it easier for people with disabilities to work without losing health benefits. Authorized by the Balanced Budget Act of 1997 and the Ticket to Work and Work Incentives Improvement Act of 1999, the Buy-In program allows states to expand Medicaid coverage to workers with disabilities whose income and assets ordinarily would make them ineligible for Medicaid. To be eligible for the program, an individual must have a disability (as defined by the Social Security Administration) and earned income, and must meet certain financial eligibility requirements established by the states. Participants typically “buy into” the Medicaid program by paying premiums based on income. Unlike many work-incentive programs, the Buy-In program provides health coverage without cash benefits, breaking the long-established link between the two.

States have the flexibility to customize their Buy-In programs to their unique needs, resources, and objectives. As of December 2005, 30 states were operating a Medicaid Buy-In program, bringing total nationwide enrollment to 69,218. Overall, more than 161,000 individuals participated in state Medicaid Buy-In programs between their inception and the end of 2005.

This issue brief, the second in a series on workers with disabilities, explains how the Medicaid Buy-In program fits into other federal efforts to expand access to health insurance and enhance employment opportunities for adults with disabilities.

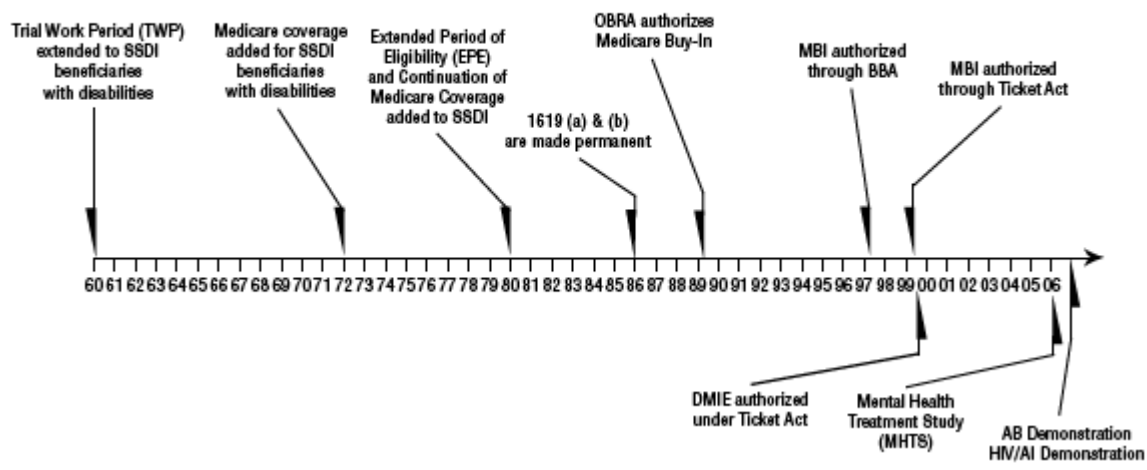
Working-age adults need reliable access to health coverage in order to stay healthy, participate in the community, and enter or remain in the workforce. This need is even more pronounced for adults with disabilities. Paradoxically, however, their coverage options are limited. Although some adults who return to work full time after having been unemployed or employed part time will be eligible for employer-sponsored coverage, others may not be eligible for such coverage because of pre-existing conditions.¹ These individuals as well as part-time workers may have to turn to government-sponsored health insurance programs such as Medicaid.

Eligibility for Medicaid, however, depends partly on income; if a person with a disability earns too much, he or she will be unable to obtain or keep coverage. As a result, adults

with disabilities who want to work may have a strong incentive to limit their earnings. Some people may leave the work-force to secure Medicaid coverage and disability cash benefits, which they view as a better option than earning slightly more and risking the loss of Medicaid coverage.

To encourage adults with disabilities to remain in the workforce, the federal government has incorporated numerous incentives into both the Social Security Disability Income program and the Supplemental Security Income program (SSDI and SSI) since 1960 (Figure 1). The incentives work by allowing SSDI and SSI beneficiaries to keep their health care coverage even as their earnings rise. The following discussion explains how the Medicaid Buy-In program compares with the work-incentive provisions in SSDI and SSI, and with several new demonstration programs in which health care and work supports will be coordinated to help adults with disabilities stay in the workforce.

Figure 1. A chronology of federal efforts to promote employment of adults with disabilities by enhancing access to health insurance coverage, 1960-2006



Health-Related Work-Incentive Provisions in the SSDI Program

In the SSDI program, workers make contributions through payroll deductions and receive cash benefits if they become disabled. Workers who qualify may earn income, but if earnings exceed the “substantial gainful activity” (SGA) level, cash benefits are suspended and eventually terminated after a trial work period and grace period. The SGA level was \$860 per month in 2006 for nonblind individuals. Beneficiaries who work may be careful to limit their earnings to this amount out of fear of losing cash benefits. Congress provided health coverage to SSDI beneficiaries in 1972 by authorizing Medicare coverage for individuals receiving benefits after an initial 24-month waiting period.

Although eligibility for SSDI benefits requires individuals to demonstrate an inability to work, several provisions are designed to help beneficiaries keep their Medicare coverage when they return to work:

- **The Trial Work Period (TWP)** gives SSDI beneficiaries the opportunity to test their ability to work for nine months (not necessarily consecutively) without losing their cash benefits or Medicare coverage, regardless of earnings.
- **The Extended Period of Eligibility (EPE)** allows beneficiaries who have completed the TWP to receive a cash benefit for months in which earnings are below SGA. During an EPE, beneficiaries can continue to receive Medicare (but not cash benefits) while earning at SGA level or above. An EPE may last up to 36 months. If an individual's earnings decrease below the SGA level during this period, he or she will receive cash benefits automatically without having to reapply for SSDI.
- **Continuation of Medicare Coverage**, also known as extended Medicare, allows SSDI beneficiaries to keep their Medicare coverage for at least 93 months after the end of the TWP even if earnings are at or above SGA.
- As distinguished from the Medicaid Buy-In, the **Medicare Buy-In** (also known as Medicare for Individuals with Disabilities), gives beneficiaries who have exhausted the extended Medicare provisions the option to purchase Medicare through premium payments.

SSDI work incentives and the Medicaid Buy-In are designed to help people with disabilities increase their independence by broadening access to health insurance, but there are three important differences (Table 1). First, their structures are different. The SSDI work incentives are incremental in nature. They:

- Allow beneficiaries to test their ability to work for 9 months without losing any benefits.
- Reinstate cash benefits for 36 months after the TWP for workers unable to maintain employment.
- Provide Medicare coverage for at least 93 months after the TWP if benefits are terminated because the worker has completed an EPE.
- Give workers the opportunity to purchase Medicare after extended Medicare ends.

In contrast, the Medicaid Buy-In is similar to a private-sector insurance product that qualified workers can purchase through premiums.

The second difference involves national uniformity. The SSDI work incentives are linked to the Medicare program, so all SSDI beneficiaries are subject to the same regulations. Because the Medicaid Buy-In is linked to the Medicaid program, requirements and procedures vary by state.

Finally, the SSDI and Medicaid Buy-In programs have different eligibility criteria. The work incentives in the SSDI program are available only to SSDI beneficiaries. The Medicaid Buy-In attracts many of these individuals, but is open to a wider range of workers with disabilities (Figure 2). Between 2000 and 2004, 71 percent of Medicaid Buy-In participants were receiving SSDI payments when they enrolled in the Medicaid Buy-In program.

TABLE 1. COMPARISON OF PROGRAMS IMPLEMENTED UNDER FEDERAL LAW

	SSDI Work Incentives				SSI Work Incentives		
	Trial Work Period a	Extended Period of Eligibility	Continuation of Medicare Coverage	Medicare Buy-In b	1619 (a)	1619 (b)	Medicaid Buy-In
Target Population	Current SSDI beneficiaries with disabilities who want to attempt work	SSDI enrollees with disabilities who have completed a 9-month trial work period	SSDI enrollees with disabilities who have exhausted the EPE and are continuing to work	Individuals with disabilities who were once SSDI beneficiaries, have past extended Medicare, and have continued to work	Current SSI beneficiaries with disabilities who want to work above SGA level	Current SSI beneficiaries with disabilities whose earnings preclude SSI cash payments and who want to work more than 1619 (a) permits	Individuals with disabilities who are currently working and otherwise ineligible for Medicaid
Benefits	Cash benefit and Medicare coverage	Medicare coverage and reinstatement of cash benefits	Medicare coverage	Medicare coverage available through premium payments	Cash benefit and Medicaid coverage	Medicaid coverage	Medicaid coverage
Enrollment as of December 2004	Unavailable a	About 23,000	About 28,000	Not applicable b	17,115	73,681	74,702

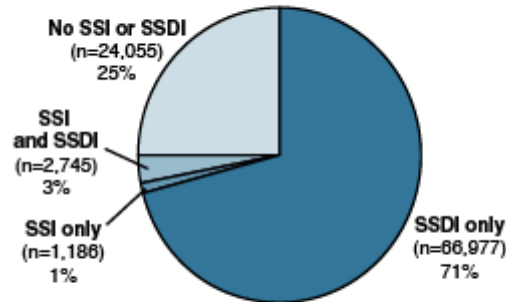
Source: SSA Redbook, 2005; SSA, Annual Statistical Report on SSDI Programs, 2004; MPR, State Annual Buy-In Report 2004 and state quarterly reports submitted to CMS.

Note: SGA level is set at \$860 per month for 2006 for nonblind individuals. In December 2004, there were 5,850,359 SSI beneficiaries, 328,204 of whom worked to some extent, including those participating in the 1619(a) and (b) programs.

a SSA does not break out TWP participants from the rest of the SSDI beneficiaries receiving benefits.

b The option for Medicare Buy-In participation has not been available long enough to have had individuals pass through TWP, EPE, and the Continuation period in order to enroll in it; therefore, an enrollment figure is not available.

Figure 2. Distribution of all 2004 Buy-In participants, by prior program participation



Source: Liu, S., and H. Ireys. "Participation in the Medicaid Buy-In Program: A Statistical Profile from Integrated Data," May 2006 (www.mathematica-mpr.com/Publications/PDFs/medbuyinstatprof.pdf).

Health-Related Work-Incentive Provisions in the SSI Program

The SSI program provides cash benefits and health coverage to low-income individuals with disabilities who are restricted in their ability to work. Many of these individuals have little employment experience.

In 1986, Congress permanently authorized SSI's two main health-related work-incentive provisions, the 1619(a) and 1619(b) programs:

- **1619(a)** allows SSI recipients to continue receiving SSI cash payments even when earnings exceed the SGA level. As earnings increase, SSI cash payments decrease until earnings completely replace cash benefits; there is no effect on Medicaid coverage.
- **1619(b)** allows beneficiaries with disabilities to keep Medicaid coverage even if they no longer qualify for SSI cash benefits because of increased earnings as long as they remain otherwise eligible for SSI. Medicaid coverage continues until earnings exceed a threshold amount.²

Table 1 illustrates two important differences between the 1619 provisions and the Medicaid Buy-In program. One involves the amount of allowable earnings. Although the 1619 programs promote employment by ensuring that participants have access to Medicaid coverage as earnings rise, these beneficiaries can grow their earnings only up to a certain level. By authorizing the Medicaid Buy-In program, Congress provided the means for adults with disabilities to have substantially more income and assets than allowed under 1619(a) and (b), and still have Medicaid coverage.³

A second difference involves the target population. Only SSI recipients are eligible to participate in the 1619(a) and (b) programs. In contrast, the Medicaid Buy-In is targeted to a wider range of working-age adults with disabilities, including individuals receiving cash payments through the SSI and SSDI programs, as well as those with no recent history of receiving federal disability-related benefits.

Demonstration Projects to Enhance Access to Medical Services

To understand more about how to promote employment and remove barriers to work for adults with disabilities, the Centers for Medicare & Medicaid Services (CMS) and SSA have developed several demonstration projects to promote employment for specific groups of working age adults with disabilities or potentially disabling conditions, while ensuring health coverage and employment-support services (Table 2).

Authorized under the 1999 Ticket Act, the Demonstration to Maintain Independence and Employment (DMIE) allows CMS to award six-year contracts to states to develop, implement, and evaluate projects for working adults who have potentially disabling mental or physical impairments (such as HIV infection, diabetes, or certain types of mental illnesses). The DMIE projects allow CMS to see if a coordinated program of health care and employment supports can forestall or prevent the loss of employment and instead promote independence.

TABLE 2. COMPARISON OF CURRENT DEMONSTRATIONS ADDRESSING HEALTH INSURANCE AND DISABILITY				
	Demonstration to Maintain Independence and Employment	Mental Health Treatment Study	Accelerated Benefits Demonstration	California HIV/AI Demonstration
Sponsoring Agency	CMS	SSA	SSA	SSA
Target Population	Adults with specific progressive mental or physical conditions and who are working	SSDI beneficiaries with a primary impairment of schizophrenia or affective disorder who could return to competitive employment	New SSDI beneficiaries who are otherwise uninsured, are in the 24-month Medicare waiting period, and are expected to or potentially could improve medically	SSDI beneficiaries with an HIV/AIDS diagnosis or immune and/or autoimmune disorder who could return to competitive employment
Benefits	Coverage of	Enhanced	Medical	Medical benefits

	health services and employment supports	health insurance, outpatient mental health treatment, and employment supports	benefits and care management services	and employment support service coordination
Implications for the Medicaid Buy-In If the Demonstration Is Successful	Could show the value of extending the Medicaid Buy-In program to workers with potentially disabling conditions	Could show that beneficiaries with severe mental illnesses benefit from a specific set of mental health services, which could be provided through Medicaid Buy-In programs	Could show that new SSDI beneficiaries would have better outcomes with immediate medical coverage, which could be provided by either Medicare or Medicaid	Could show that beneficiaries with autoimmune disorders benefit from a specific set of medical and care management services, which could be provided through various health insurance options, including State Medicaid Buy-In programs
Participation	As of July 2006, seven states have implemented a demonstration, or plan to do so (the District of Columbia, Hawaii, Iowa, Kansas, Minnesota, Mississippi, and Texas)	22 sites in 17 states and the District of Columbia	Not yet determined	4 California counties (Los Angeles, San Francisco, San Diego, and Alameda)

Source: SSA website: www.SSA.gov; CMS website: www.cms.gov

Initiated by SSA in 2006, the other three demonstrations enhance work incentives by providing health coverage for specific subgroups of SSDI beneficiaries. Only the mental health treatment study (MHTS) has started. Accelerated Benefits (AB) and the California HIV/AI demonstration are still in the intervention design phase.

- MHTS focuses on the potential impact of improved access to outpatient mental health treatments and employment supports not covered by other insurance plans on SSDI beneficiaries with schizophrenia or affective disorder. The demonstration will test the extent to which these beneficiaries improve medically, increase their functional capacity, and return to competitive employment.
- The AB demonstration will provide immediate health benefits and care management to certain newly entitled SSDA beneficiaries who have medical conditions that could improve or that are expected to improve. In contrast to the normally required 24-month Medicare waiting period, during which time many people who do not have health insurance could see their conditions deteriorate, the AB will test whether providing immediate health benefits and other appropriate support will help beneficiaries to maintain functioning, to improve medically, to re-enter the workforce, and to reduce their long-term dependence on cash benefits.
- The California HIV/AI demonstration will provide medical benefits and employment supports to SSDI beneficiaries diagnosed with HIV/AIDS or an immune or autoimmune disorder. To aid their efforts in maintaining or returning to work, selected beneficiaries will be covered under a health benefits package and receive comprehensive employment support service coordination. This demonstration also includes an expert medical unit to monitor participants' progress to ensure that they are receiving appropriate services.

These projects are likely to have important implications for the Medicaid Buy-In program. First, by incorporating the idea of prevention, they address the question of whether adults with potentially disabling conditions or those newly eligible for SSDI benefits can avoid developing long-term dependence on government programs. Currently, only people who have been determined to have a disability under SSA criteria are eligible for the Medicaid Buy-In program. If the new demonstrations are successful, policymakers may have the rationale for broadening eligibility for the Buy-In to include those who have conditions that are eventually disabling. Second, successful outcomes may (1) lead to a better understanding of the link between coverage of health services and employment and (2) underscore the value of tailoring benefit packages to particular groups of beneficiaries.

Implications

The federal effort to improve employment opportunities for workers with disabilities by enhancing access to health insurance will continue to evolve in response to shifts in state Medicaid programs, improved treatment protocols, and trends in the broader health insurance industry. For at least the next several years, however, the Medicaid Buy-In program will be a critical component. Lessons learned from tracking participation in the Medicaid Buy-In, 1619(a) and (b), SSDI programs, and from evaluations of the demonstration projects will provide critical information on how to strengthen state Buy-In programs. For example:

- The Medicaid Buy-In program, with its emphasis on enhancing access to health insurance, may be most effective when it is part of a multifaceted intervention that simultaneously addresses multiple barriers to employment.
- If the demonstration projects are shown to have positive effects, the Medicaid Buy-In program could be a useful means for translating them into continuing programs.
- For SSDI beneficiaries who are working and have exhausted their options for Medicare coverage, or who need more services than Medicare covers, the Medicaid Buy-In program could offer the health insurance coverage needed to keep working.

Additional research on how participation in the Medicaid Buy-In program delays or reduces enrollment in SSI or SSDI programs could further inform policymakers about (1) characteristics of workers who benefit most from health-related work incentives and (2) services that help workers with disabilities find and keep a job.

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¹ Under the Health Insurance and Portability and Accountability Act of 1996 (HIPAA), an individual who has had “creditable coverage” in the preceding 63 days may not be subject to any pre-existing exclusions. Most health coverage is creditable coverage, including Medicaid and Medicare. When individuals do not have health insurance, they obviously have no creditable coverage (U.S. Department of Labor, www.dol.gov/ebsa/faqs/faq_consumer_hipaa.html).

² The threshold amount is the point at which countable earnings are high enough to substitute for SSI cash benefits, Medicaid coverage, and publicly funded attendant services. SSA determines the threshold for each state based on annual Medicaid

expenditures per capita and the state SSI benefit level
(www.socialsecurity.gov/redbook/eng/main.htm).

³ For further information on the authorizing legislation, see: “Understanding Enrollment Trends and Participant Characteristics of the Medicaid Buy-In Program, 2003-2004” (www.mathematica-mpr.com/publications/pdfs/understandenroll.pdf).